



Backgrounder: Social Security

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Legislative Background:

Established in 1935, Social Security is a self-financed program that provides monthly cash benefits to retired or disabled workers and their family members, and to the family members of deceased workers. During the decades that followed, changes to the Social Security program were mainly ones of expansion. Estimates from August 2011, indicate that there were 54.9 million Social Security beneficiaries. Of those, 38.2 million (70%) were retired workers and family members, 10.5 million (19%) were disability beneficiaries, and 6.3 million (11%) were survivors of deceased workers.

According to government research, the number of elderly (those aged 65 years and older) represented 39.6 million or 12.9 percent of the population in 2009 (the most recent year this statistic was available). In 2030, it is projected that there will be 72.1 million elderly individuals in the U.S., or 19 percent of the population. As the population ages, Social Security must be there to provide for workers in old age. The Social Security Administration projects that between 2010 and 2030, the number of enrollees will increase by 76% while the number of workers paying into the system will increase by only 8%. Current projections show Social Security outspending its annual income (as received by payroll taxes) beginning in the year 2016. Absent some reform, it is projected that by 2036 the Social Security "Trust Fund" will be fully depleted. Payments from Social Security to beneficiaries will not stop, but with only payroll taxes used to pay for beneficiaries, workers will only receive up to 75 percent of the benefits to which they are entitled under current benefits schedules.

Dr. Benishek's View:

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"I believe Social Security is a contract with the American worker. As such, this contract must be fully funded for all who are or will be entitled to benefits. At the same time, our country needs to ensure the program's survival for future generations. The sooner Congress and the administration begin discussing reforms; the less costly it will be for taxpayers."

– Dr. Dan Benishek

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Cost-of-Living Adjustment (COLA):

The Social Security Administration recently announced a 3.6 percent cost-of-living increase for beneficiaries—the first cost-of-living adjustment in two years. Social Security beneficiaries began receiving increased benefits in January 2012, and Supplemental Security Income recipients began receiving increased payments on December 30, 2011.

The average Social Security recipient receives \$14,232 in benefits annually. This increase will boost average benefits by \$516. As health care costs and other critical expenses for seniors continue to rise, Dr. Benishek believes this cost-of-living increase is vital for Northern Michigan seniors.

Social Security Preservation Act:

Dr. Benishek has signed on as a cosponsor to H.R. 219, the "Social Security Preservation Act of 2011." If enacted, this bill would ensure that all monies raised by the Social Security trust fund will be spent for payments to beneficiaries, with excess receipts invested in interest-bearing certificates of deposit. This will help keep Social Security trust fund monies from being diverted to other programs and allow the fund to grow.

What Others Are Saying About Social Security:

A Message to the public from the 2011 Social Security Trustees Report: "The financial conditions of the Social Security and Medicare programs remain challenging. Projected long-run program costs for both Medicare and Social Security are not sustainable under currently scheduled financing, and will require legislative modifications if disruptive consequences for beneficiaries and taxpayers are to be avoided.

The long-run financial challenges facing Social Security and Medicare should be addressed soon. If action is taken sooner rather than later, more options and more time will be available to phase in changes so that those affected have adequate time to prepare. Earlier action will also afford elected officials with a greater opportunity to minimize adverse impacts on vulnerable populations, including lower-income workers and those who are already substantially dependent on program benefits."

U.S. Congressman Dave Camp (R-MI), Chairman of the House Committee on Ways and Means: "While adjustments to the system must be made sooner rather than later to ensure the Social Security Trust Fund remains solvent, I believe any reforms must assure Americans they will get back from Social Security what they have paid into the system over their lifetime. I also believe that the current system should remain in place for those at or near retirement age, who would not have time to plan for any changes."

U.S. Congressman Sam Johnson (R-TX), Chairman of the House Subcommittee on Social Security: "Americans want, need, and deserve the certainty that Social Security will be there for them. I'm confident that by working together, we can provide that certainty."

Actions Taken in the 112th Congress:

Despite what Dr. Benishek's political opponents are saying, no action has been taken to change Social Security during the 112th Congress.